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LARRY WALKER

Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK, CGFM

Assistant Auditor/Controller-Recorder
Assistant County Clerk

May 15, 2008

Sandra Gray, Chairwoman

Board of Trustees

Twentynine Palms Cemetery District

5350 Encelia Avenue

Twentynine Palms, CA 92277

SUBJECT: MANAGEMENT LETTER - TWENTYNINE PALMS CEMETERY DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2007

In compliance with Section 26909 of the California Government Code, we have audited the general purpose financial statements of Twentynine Palms Cemetery District (District) for the fiscal year ended June 30, 2007 and have issued our report thereon dated May 13, 2008. In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above nor did we identify any deficiencies in internal control that we consider to be a significant deficiency during the current year audit. However, the following significant deficiency was identified in the prior year audit and has not been corrected as of June 30, 2007.

A potential conflict of interest exists

Current Status

The District has not cancelled the signature authorization for the Cemetery Secretary's sister, who can approve financial documents prepared by the Cemetery Secretary. The District has stated that their policy no longer allows the Cemetery Secretary's sister to approve the documents, but they have maintained her signature authorization for all District documents in case of emergency.

Further Recommendation

Cancel the signature authorization for the Cemetery Secretary's sister so that she does not have authorization to sign financial documents or checks.

Management's Response

The District has cancelled the signature authorization for the Cemetery Secretary's sister. She no longer has any authorization to sign financial documents or checks.

The following deficiencies do not have the potential to impact the accuracy of the financial statements and therefore are not significant deficiencies or material weaknesses as defined above. The following deficiencies were identified in the prior year and have not been corrected as of June 30, 2007.

The District's investments mature beyond five-year limit established by Government Code 53601. (re-occurring since 2005)

Current Status

The District has begun working with its investment company to bring its investment portfolio in compliance with Government Code 53601. However, a review of

investments held as of June 30, 2007 revealed that investments of \$169,398 were made with maturities exceeding five years.

Further Recommendations

Continue to work on bringing the District's investment portfolio into compliance and consider consulting legal counsel to ensure that the District's investments are meeting the requirements of Government Code 53601 and any other statutes governing special district investment activities.

Management's Response

The District has contacted the investment company to bring its investment portfolio in compliance with Government Code 53601. The investment company informed District that this has been completed.

The District is not following its retirement policy.

Current Status

As of June 30, 2007, the District still owes its employees a total of \$3,167 towards its employee retirement plan and is still owed \$1,056 from one of its employees.

The District has subsequently established an agreement with a new company to administer its employee retirement plans. The District has subsequently made the necessary contributions to its employees' retirement to bring them all up to date. The District has established the one employee's payroll deductions, and arrangements have been made for the employee to pay back what is owed to the District.

Further Recommendation

Continue to collect all monies owed back to the District for the period that the payroll deductions were not established.

Management's Response

The District is continuing to collect all monies owed back to District and this should be completed by the end of November 2008.

Sandra Gray, Chairwoman
Twentynine Palms Cemetery District
May 15, 2008
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This communication is intended solely for the information and use of management, the Audit Committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By:

Howard M. Ochi, CPA
Chief Deputy Auditor

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